



IPERS Retirement Dividend Payments

The Iowa Public Employees' Retirement System (IPERS) does not apply a traditional cost-of-living adjustment to retirement benefits. Monthly benefit payments are determined by formula at the time of retirement and the amount does not change. Instead of adjusting the monthly benefit for inflation, the General Assembly created a once-a-year payment for retirees ([Iowa Code section 97B.49F](#)).

Cost of Living Dividend (November Dividend)

Since November 1997, pre-July 1, 1990, retirees, or their beneficiaries, have received a cost-of-living dividend each year. The dividend is based on a formula that applies a multiplier to a base payment. Each year's base payment equals the previous year's amount. IPERS pays the dividend when it pays the normal monthly benefit in November.

IPERS does not have discretion over the base dividend payment. The base is guaranteed by statute. However, the statute does not require increases. The IPERS actuary must certify the system can afford an increase, not to exceed 3.0%, without an increase in contribution rates. If the actuary determines in a particular year that a dividend increase is not affordable, the retiree will still receive a cost-of-living dividend for that year equal to the amount paid in the previous year. The dollar amount of each retiree's November dividend has been the same since 2002.

The IPERS actuary has certified the IPERS Trust Fund could sustain a dividend adjustment of 1.8% for the November 2013 dividend based on the results of the June 30, 2012, actuarial valuation. The number of November dividends paid each year has decreased as this population has aged. The average age of recipient is 87. There are 106 people over the age of 100 in this group. In 1999, there were more than 33,000 payments totaling approximately \$14.1 million. In 2014, there is an estimated 9,412 payments totaling over \$8.3 million.

Favorable Experience Dividend (FED or January Dividend)

Since January 1, 1999, IPERS members that retired on or after July 1, 1990, and were retired for at least one year, have been eligible to receive a once-a-year Favorable Experience Dividend (FED). A beneficiary of an active or retired member that has received a monthly death benefit allowance for one year is also eligible.

The General Assembly provided for the FED payment by creating a Favorable Experience Reserve Account in June 1998 and transferring money from the IPERS Trust Fund to the Reserve Account. Statute does not require IPERS to pay the FED; rather it allows IPERS to pay the FED from the Reserve Account as long as there is money in the account.

IPERS pays the FED with the regular monthly benefit in January. Transfers occur on January 15. The FED amount is calculated by multiplying a retiree's benefit by the number of years retired, and by a percentage, not to exceed 3.0%, determined by IPERS. The percentage multiplier has been frozen at 1.07% since 2003. For 2014, the multiplier is estimated to be 1.02%.

| Favorable Experience Division Reserve Account | | | | |
|---|--------------------|----------------------|-----------------------|-------------------------|
| Fiscal Year | FED Transfer | FED Payments | Net Investment Income | Fiscal Year-end Balance |
| FY99 | 229,000,000 | (12,152,683) | 29,523,325 | 246,370,642 |
| FY00 | 264,908,935 | (18,797,522) | 38,522,151 | 531,004,206 |
| FY01 | 108,440,545 | (46,219,145) | (22,197,795) | 571,027,811 |
| FY02 | 0 | (57,890,007) | (26,518,247) | 486,619,557 |
| FY03 | 0 | (25,570,783) | 26,210,587 | 487,259,361 |
| FY04 | 0 | (31,067,817) | 67,497,454 | 523,688,998 |
| FY05 | 0 | (37,178,186) | 56,650,354 | 543,161,166 |
| FY06 | 0 | (43,988,077) | 58,021,055 | 557,194,144 |
| FY07 | 0 | (51,378,132) | 86,964,919 | 592,780,931 |
| FY08 | 0 | (59,512,875) | (8,301,373) | 524,966,683 |
| FY09 | 0 | (68,463,353) | (85,779,297) | 370,724,033 |
| FY10 | 0 | (78,080,966) | 46,466,138 | 339,109,205 |
| FY11 | 0 | (88,569,816) | 59,248,895 | 309,788,284 |
| FY12 | 0 | (100,428,496) | 9,406,974 | 218,766,762 |
| * FY13 | 0 | (113,300,371) | 16,991,884 | 122,458,275 |
| * FY 14 | 0 | (121,552,670) | | 905,605 |
| Totals: | 602,349,480 | (954,150,898) | 352,707,024 | |

* Estimates

More Information

Iowa Public Employees Retirement System (IPERS): <http://www.ipers.org>

Iowa General Assembly: <https://www.legis.iowa.gov/index.aspx>

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Despite the name, the FED is not tied to annual investment performance. However, the Reserve Account is invested with the Trust Fund and investment gains and losses are applied to the account balance. Statute provides for transfers to the Reserve Account after the initial transfer only when the system is 100.0% fully funded. IPERS last transferred money to the reserve account in 2001.

This program is not guaranteed in the Iowa Code so when the funds run out, the program ceases. Given no additional transfers, the recent recessionary market conditions, and an increasing number of FED payments, the last estimated payment for this FED program from the Reserve Account is January 2014 and the any remaining funds will be deposited in the IPERS Trust Fund.

In 1999, IPERS made almost 27,000 FED payments of approximately \$12.2 million. In 2014, there will be an estimated 92,941 payments of approximately \$121.6 million. The average age of a FED recipient is 69. This is the last estimated year of the FED payment. The estimated remaining amount of \$906,000 will be transferred back into the IPERS Trust Fund.

November Dividend and FED Payment History

| November Dividend and FED Payment History | | | | | | | | | | |
|---|-------------------|----------------------|-----------------------|--------------------|---------------|----------------------|-----------------------|--------------------|-----------------------------|--|
| Paid In Fiscal Year | November Dividend | Number of Recipients | Median Payment Amount | Percent Multiplier | FED | Number of Recipients | Median Payment Amount | Percent Multiplier | Actual Consumer Price Index | |
| 1999 | \$ 14,086,374 | 33,414 | \$ 327 | 1.33 | \$ 12,152,683 | 26,993 | \$ 317 | 1.33 | 1.33 | |
| 2000 | 15,451,127 | 31,462 | 391 | 1.59 | 18,797,522 | 29,590 | 425 | 1.59 | 1.59 | |
| 2001 | 19,010,893 | 29,644 | 524 | 3.00 | 46,219,145 | 35,152 | 915 | 3.00 | 3.73 | |
| 2002 | 22,282,087 | 27,861 | 664 | 3.00 | 57,890,007 | 39,445 | 1,014 | 3.00 | 3.25 | |
| 2003 | 20,835,973 | 26,106 | 662 | 0.00 | 25,570,783 | 44,619 | 392 | 1.07 | 1.07 | |
| 2004 | 19,300,657 | 24,262 | 658 | 0.00 | 31,067,817 | 48,347 | 445 | 1.07 | 2.11 | |
| 2005 | 17,911,022 | 22,554 | 657 | 0.00 | 37,178,186 | 52,712 | 491 | 1.07 | 3.27 | |
| 2006 | 16,542,558 | 20,870 | 655 | 0.00 | 43,988,077 | 56,509 | 537 | 1.07 | 2.53 | |
| 2007 | 15,231,083 | 19,227 | 654 | 0.00 | 51,378,132 | 60,329 | 588 | 1.07 | 4.32 | |
| 2008 | 13,937,278 | 17,604 | 653 | 0.00 | 59,512,875 | 64,518 | 619 | 1.07 | 2.69 | |
| 2009 | 12,613,373 | 15,982 | 651 | 0.00 | 68,463,353 | 68,797 | 674 | 1.07 | 5.02 | |
| 2010 | 11,407,690 | 14,496 | 650 | 0.00 | 78,080,966 | 72,707 | 729 | 1.07 | -1.43 | |
| 2011 | 10,265,166 | 13,098 | 647 | 0.00 | 88,569,816 | 76,936 | 782 | 1.07 | 1.05 | |
| 2012 | 9,187,585 | 11,755 | 648 | 0.00 | 100,428,496 | 83,887 | 761 | 1.07 | 3.56 | |
| 2013* | 8,104,346 | 10,393 | 650 | 0.00 | 113,300,371 | 87,965 | 859 | 1.07 | 1.66 | |
| 2014* | 8,313,686 | 9,412 | 736 | 1.80 | 121,552,670 | 92,941 | 892 | 1.02 | 1.80 | |

*FY 2013 and FY 2014 numbers are estimates.